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July 25, 2006

Ms. Beth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40602-0615

Subject: **Case No. 2003-00305 –**
Margin Loss Recovery Mechanism, Semi-annual Report

Dear Ms. O'Donnell:

In the Commission's Order in Case No. 99-070, Atmos Energy (then Western Kentucky Gas) was required to provide a semi-annual report on any discounts provided under its Margin Loss Recovery ("MLR") mechanism during the prior six months. Atmos Energy was granted a three-year extension of this pilot mechanism in the above referenced Case.

This correspondence is provided to acknowledge that for the six month period ending May 2006, Atmos Energy has provided no discounts affecting the MLR rider. In fact, Atmos Energy has not provided any discounts affecting the MLR rider since implementing this tariff provision.

If the Commission or Staff has any questions regarding this report, please contact me at your earliest convenience.

Sincerely,

A handwritten signature in dark ink, appearing to read "Gary L. Smith".

Gary L. Smith
Vice President, Marketing & Regulatory Affairs

cc: Tom Morel, Atmos Energy Corporation